B2B-marketing communication strategies in CEE

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For Austrian (B2B) companies, the increasing prosperity and rapid development of Central and Eastern European (CEE) countries appear to offer rather attractive locations to achieve the goal of becoming competitive market participants. Companies in the process of internationalization need a precise indication of critical success factors and trends concerning Marketing and Sales Management in CEE. Numerous Austrian companies are already successfully operating in CEE countries; many other Austrian companies, especially SMEs, are actually on their way to expanding their business into these promising regions.

Cumulating the experience of successful companies already active in CEE countries and discovering critical success factors are the overall aims of a Barometer Study started in 2007 by the department of Global Sales Management at the Upper Austrian University of Applied Sciences in Steyr. The longitudinal study covers important aspects before and during the process of internationalization, including typical patterns of information retrieval and analysis, decisive factors for the selection of target markets, implementation of marketing communications, relationship management with local partners and motivational aspects of sales staff in the Czech Republic, Slovakia, Hungary, Poland, Russia, Ukraine, Bulgaria, and Romania.

In this contribution, three research questions with a focus on B2B-Marketing communication strategies of Austrian businesses’ sales staff in CEE, contrasting findings from 2007 and 2013 and representing a view from before and after the financial crisis are discussed. This paper will investigate further the organization of marketing communication as well as discuss adaption versus standardization strategies. In addition, communication measures and parts of the marketing mix perceived to be successful by Austrian companies will be expounded.

Introduction

After the fall of the Iron Curtain and with it the starting changes and liberalization of political and economic systems, Central and Eastern European markets have become increasingly attractive for foreign companies (Paliwoda 2007). Not only are Multinational Corporations increasing their investment in the emerging countries of CEE (Golebiowska-Tatai and Klonowski 2009) but also western SMEs are navigating away from their home markets due to globalization and saturated markets and towards new markets in so-called transition countries (Blanchflower 2000). In addition, the accession of some CEE countries to the European Union has facilitated the entrance, decreased trade barriers and attracted an increasing number of foreign investors due to low labor costs, low taxation and minimal regulation systems (Pohl 2004). Also the ease of doing business index illustrates in 2013 that 19 out of 21 CEE countries were ranked among 50% of the worldwide best nations with regard to their economic activity (WKOOE 2014).

However, while from 1998 to 2008 the nominal growth rate of the CEE countries was 137% (WKO
2014) during the financial crisis of 2008/2009 CEE countries were affected especially hard. The downfall of export markets, a decrease in foreign direct investment (FDI) and the slump of local currencies led to a deterioration in many of the CEE countries’ gross domestic product (GDP) in 2009 (Schuh 2012) while the entire economic region shrank 6.4% of its GDP (WKO 2014). Nevertheless, since 2010 the growth rate of CEE countries has been above the EU-18 average but below that of the world economic growth (WKO 2014). Austria has been considered a gateway to the CEE countries in terms of political as well as economic aspects (Berchtold 2010). Due to its past and a common national territory with 12 out of the 21 CEE countries during the Austrian-Hungarian empire from 1867 until 1918 (WKOOE 2014), Austria held a leading role when it comes to doing business with the CEE region. It has not only been among the first countries to intensify its economic activity and relations with the CEE region since its market liberalization but also benefitted from its local and cultural insights. Thus, Austria’s economy has been strongly affected in terms of trade and investment by the CEE region’s development (Huber 2003). Since Austria geographically neighbors the CEE countries, it is furthermore argued by Bandelj (2002) that direct foreign investment is closely linked to social relations and cultural similarities, stating that “[...] hosts might be more open to investments that they consider closer to their cultural values and practices and resist those that are perceived as distant.” (2002, p. 422). Thus Austria’s history and interconnections with the CEE region might explain the countries’ relatively strong investment and interest when compared to other EU member states. While in 1989 already 30% of Austrian FDI was invested into the CEE countries (Huber 2003), from the time period of 1992 to 1995 Austrian FDI into CEE countries increased enormously and added up to 43.6% of total outward investment (Altzinger 2008). Austria has been able to nearly double its exports to the CEE countries within the last ten years (WKOOE 2014), this means that 21% of all Austrian total exports have gone to the Central and Eastern European region. In 2014, in Upper Austria alone, around 3100 companies exported to the CEE region (WKOOE 2014). Nevertheless, in 2009 Austrian companies viewed marketing and sales as the major challenges when conducting business in CEE. 74% considered the optimization of products and services as challenging while 73% planned to extend sales channels (Gebrüder Weiss Transportlogistik 2009) which is why there is a need for further research in this area.

1 Objectives

This paper aims at giving an overview of the ongoing discussions concerning marketing strategies, particularly marketing communication, in the CEE countries in literature by analyzing secondary data. Furthermore, the results of the Barometer Study (2007, 2013) illustrate findings from the primary research with regards to successful marketing communication strategies of Austrian B2B SMEs in CEE. Thus, the following research questions shall be answered, comparing results in 2007 and in 2013, i.e. before and after the financial crisis:
I. How is marketing communication organized by Austrian companies in CEE?
II. How much autonomy is given to the local organizations, and to what degree is marketing communication being standardized in CEE?
III. Which communication measures have been most beneficial to business performance for Austrian SMEs in the B2B segment?

2 Methodology

The Intercultural Management and Emerging Markets Center at the department Global Sales and Marketing at the University of Applied Sciences, Upper Austria, School of Management, conducted the Barometer Study in 2007 and 2013. The longitudinal study aims at investigating about the attractiveness as well as applied strategies in the Central CEE region with regards to B2B Sales and Marketing. By conducting quantitative research through expert interviews, important aspects before
and during the process of internationalization of Austrian SMEs (note [1]) as well as decisive factors for selecting target markets, relationship management with sales partners and marketing strategies are retrieved.

The first implementation of the Barometer Study in 2007 consisted of a sample size of 198 processed telephone interviews. The second implementation of the Barometer Study in 2013 consisted of a sample size of 240 computerized telephone interviews with Austrian sales and marketing experts being responsible for the CEE region.

The selection criteria for the chosen samples were Austrian B2B companies with ongoing business activities in Bulgaria, Poland, Romania, Russia, Slovakia, the Czech Republic, Ukraine and Hungary in different industries while the sampling frame consists of company listings in different business databases (mainly the Hoppenstedt Data Base).

3 Organization of marketing communication

Since the inception of globalization much has been discussed if the marketing process and activities should be organized by the headquarters or from abroad, either following the contingency approach where structure follows strategy (Chandler 1962) or conversely the process perspective (Ruekert and Walker and Roering 1985; Harris 1992; Özsoemer and Prussia 2009). Also ongoing discussions with regards to external or internal marketing activity allocations have led to heated argumentations, comparing and contrasting organization theory and institutional economics (Ruekert and Walker and Roering 1985).

Kotabe and Omura (1989) for example contend that globally standardized products show a higher market share as well as a superior profit performance compared to companies that decentralize marketing communication decision making. On the contrary, Harris (1992) argues that European Multinationals need to move on from a centralized approach to decentralized marketing organization and structure in order to react to differences in market conditions and consumer preferences. Furthermore, he points out that “[…] excessive centralization damages the moral of national subsidiaries and inhibits their ability to react flexibly to tactical developments” (p. 51-52). Özsoemer and Prussia (2000) advocate the same contingency approach by claiming no standardized marketing strategy, structure, and performance for subsidiaries and show that centralized structures have a negative effect on the national subsidiary in the long run while localized marketing strategies “[…] decentralized marketing decision making have emerged as key success factors in subsidiary marketing” (p. 48).

I. How is marketing communication organized by Austrian companies in CEE?

According to the 2013 Barometer Study, in Austrian SMEs 41% of Austrian marketing communication in the CEE countries is centralized, whereas 42% is decentralized, which shows a balance between the two approaches. Only 16% of the 240 interviewees specified that marketing communication was organized externally through a sales partner in the respective country of CEE, while only 1% used the service of an agency in the exporting country. For Bulgaria, which only joined the European Union in 2007, with 50%, slightly more interviewees declared that marketing communication was organized by the Austrian headquarters, whereas Ukraine was the country with the highest centralized organization with 56%. In Russia, likewise only one quarter reported to have its marketing communication decentralized by their own subsidiary, whereas 28% of the interviewees stated that it was done externally through a sales person in Russia. Thus, Russia is the country where Austrian companies obviously tend to prefer the organization to be externally coordinated through a sales partner, while in Poland and Hungary, two countries historically very close to Austria, there is also a trend towards decentralized decision making but rather by the
subsidiary on site in the respective country. In general it can be derived from the Barometer Study that there is a tendency towards decentralized decision making and autonomy with regards to marketing decisions comparing the findings of 2007 and 2013. Especially the selection of the promoted products and services is more and more being decentralized to a local marketing department which has gone up from 11% in 2007 to 36% in 2013, thus acknowledging greater knowledge about the market of the subsidiaries in the CEE region. Autonomy is also ascending concerning the planning of advertisement with regards to media and frequency with an increase of 25% from 2007 to 2013. Moreover, success monitoring and marketing controlling is for a third of the Austrian SMEs in the B2B sector a fully autonomous marketing decision done and conducted by the local organization abroad. The slightest increase in sovereignty has been given to local subsidiaries with regards to corporate identity and corporate design, which is still done by the headquarters in Austria.

4 Adaptation versus Standardization

Most of the literature found extensively discusses (Jensen and Szulanski 2004; Berchtold and Pircher and Stadler 2010; Kostova and Roth 2002; Solberg 2001) if global companies should adapt or standardize their strategy when entering a foreign market. While in contingency research it is debated that “[…] firm specific assets need to be adapted to fit with the new local environments” (Berchtold and Pircher and Stadler 2010, p. 525) Jensen and Szulanski (2004) allege that adaptation is counterproductive and suggest a ‘Mc Donald’s approach’ by standardizing not only the offer but all other processes in order to ease the replication and thus create economies of scale. Solberg (2001) picks up the discussion of adaptation and standardization of international marketing communication. He highlights that since the sixties (Elinder 1961; 1965; Fatt 1967; Buzell 1968), the beginning of globalization, throughout the financial crisis in 2008 until now the importance of the match of marketing strategies with local culture has been unclear.

A study conducted by Berchtold, Pircher and Stadler (2010) investigated the knowledge transfer from Austrian Multinationals to their affiliates in the CEE countries. They gathered empirical data through archival research, publicly available data and 22 expert interviews from 15 Austrian companies. While their research focuses on Austrian MNEs instead of SMEs, the results were by some means similar to those of the Barometer Study. The emerging common pattern showed that products and work processes were mostly standardized. Adaptations were made with regards to the local institutional environment. With regard to marketing communication the 15 Austrian firms usually applied a standardized advertising approach as well as standardized and centralized design for the CEE markets. One interviewee from the company Baumax even mentioned that they had changed from adapting to local tastes and practices to a more standardized approach even in advertising in order to reduce costs and improve efficiency because “[…] as customer expectations in different Eastern European countries are compatible” (2010, p. 540).

II. How much autonomy is given to the local organizations, and to what degree is marketing communication being standardized in CEE?

Findings from the Barometer Study show that the level of standardization has been marginally declining since 2007. When asked to judge the level of standardization of the marketing communication from a four-stage categorization (entirely standardized, rather standardized, rather country-specific, entirely country specific) 19% of interviewees described it as entirely standardized, while in 2013 only 15% held this opinion. In 2013 11% of managers reported an entirely country-specific and thus adapted marketing communication strategy, whereas in 2007 it was marginally less. A more substantial increase of 7% reported to have adopted a rather country-specific strategy,
from 34% in 2007 up to 41% in 2013. However, according to the study this also differs within the industries and the type of goods sold and produced. Especially in the material goods industry one quarter applied an entirely standardized approach; whereas, within the commerce sector and services only 7% employed an entirely standardized marketing communication strategy and 33% a rather country-specific one, while 14% (in comparison to an average of 8%) decided for an entirely country-specific strategy.

5 Marketing communication mix

In 1986, Walters already indicated the severity of designing a marketing strategy that fits all countries and can be applied to all elements of the marketing mix. Lannon (1991) became more precise when she advocated the standardization of some of the marketing mix elements while she advised others to be adapted to the local markets. While she considered the role of advertisement and its execution depend on the national sales market, she argued that the physical function of the product, its advertising idea and the brand personality should be standardized. However, her main focus was on the product. In terms of services, the level of standardization in each national subsidiary is yet to be investigated and a current ongoing debate is taking place right now in not only industry but also research. Chase (1987) and Solberg (2000) highlight that while the strategy should be standardized the execution should be calibrated.

III. Which communication measures have been most beneficial to business performance for Austrian SMEs in the B2B segment?

The Barometer Study shows that since the financial crisis in 2008 the quality level of goods and services has gained importance. While in 2013 94% of Austrian SMEs perceived the quality level of goods and services, and thus the image, perception and (physical) features of the product or service, as the most important marketing communication measures in order to be successful in the CEE markets, in 2007 85% advocated quality as the crucial marketing communication measurement. Also advisory capacity and the image of the company have increased 6% since the financial crisis. In contrast it is interesting to note that “Made in Austria” is becoming less and less of a sales argument. While still being weighed as important, it seems like a high level of quality is not anymore linked to the country of origin.

In addition, a high innovation standard can lead to corporate success in the CEE region. Since 2007 an additional 9% of Austrian SMEs consider the level of innovativeness as crucial. This might lead to the conclusion that now also markets in the East are becoming more and more saturated while competition is steadily increasing.

Promotional mix brochures and leaflets in the local language have been considered as very beneficial to business performance. Also 47% of the interviewees, representing a tremendous increase of 17%, campaigned for email newsletters and 42% for advertising letters and mailings with an increase of 7% from 2007 to 2013. 13% linked business success with advertising gifts, and also sponsoring was contemplated as less beneficial with regards to the two points of measurement of the study.

Altogether, it can be concluded that the marketing communication strategy and with it the marketing mix, as already pointed out by Chase (1987) and Solberg (2000), of Austrian SMEs are driven by standardization on a strategic level, while fine tuning like the translation of promotional material and minor adaptations are done at an operational level.
6 Summary and business implications

To conclude, it can be said that in terms of marketing organization much has been argued in literature. While many multinationals follow a standardized marketing communication strategy, which is supported by centralized decision making; others are gradually adopting a decentralized approach and giving more power and control to national subsidiaries, thus acknowledging their country-specific knowledge and expertise. According to the Barometer Study (2007, 2013) there is a tendency towards decentralized marketing decision making, also changes are marginal. In addition, marketing communication is becoming more country-specifically adapted. This is also supported when it comes to the marketing mix and communication measures where adaptations with regard to language (leaflets, brochures, homepages, etc.) increased and are perceived to be beneficial for business success in the CEE countries.

It can be argued that a more standardized and globalized B2B marketing strategy in 2007 has proven to be more vulnerable to external circumstances like the global financial crisis in 2008/2009. Thus, in addition to more experience and its positive connection with the learning curve and a more extensive market cultivation in 2013, Austrian SMEs tend to have learnt from the financial crisis to adopt a more country-specific approach and to tailor their marketing communication strategies more to the national subsidiaries’ needs.

7 Limitations and outlook

The Barometer Study has only investigated further about the CEE countries of Bulgaria, Poland, Romania, Russia, Slovakia, the Czech Republic, Ukraine and Hungary. According to the MOEL, the German equivalent to CEE, listing of the WKOOE (2014) 21 countries are categorized as part of the Central and Eastern European region. Thus in practice and literature there exists various definitions and distinctions of Central and Eastern European countries. The Barometer Study (2007, 2013) however did not focus on a commonly defined geographical and economic region.

Also it has been illustrated by the study that marketing strategies differ in different industries and thus no general conclusion can be drawn. Last but not least, national culture might be more important in the service industry than concerning the product.

The longitudinal study is to be continued in autumn 2015. Further research will set an additional focuses on international services in the B2B sales and marketing field. Hence, this research gap is to be closed with the continuation of the longitudinal study.

Poznámky/Notes

[1] SME definition according to the Ifm Boon (http://en.ifm-bonn.org/definitions/sme-definition-of-ifm-bonn/) with up to 500 employees.

Literatúra/List of References

[26] Solberg, C. A., 2002. The perennial issue of adaptation or standardization of international


Kľúčové slová/Key Words

CEE countries, communication strategies, sales staff, marketing communication

krajiny strednej a východnej Európy, komunikačné stratégie, predajný personál, marketingová komunikácia

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Résumé

B2B marketingové komunikačné stratégie v Strednej a Východnej Európe

Pre rakúske firmy pôsobiace na B2B trhoch, rastúca prosperita a rýchly rozvoj krajín Strednej a Východnej Európy (CEE), zdá sa, že ponúka pomerne atraktívne lokality na dosiahnutie cieľa, ktorým je stať sa konkurenčnými účastníkmi trhu. Firmy v procese internacionalizácie potrebujú presný výpočet kritických faktorov úspechu a trendov týkajúcich sa marketingu a riadenie predaja v krajínach CEE. Mnohé rakúske firmy už úspešne pôsobia v krajinách CEE; mnoho ďalších rakúskych firiem, najmä malé a stredné, sú skutočne na ceste k rozšíreniu svojho podnikania do týchto sľubných regiónov.

Získavanie skúseností úspešných firiem už pôsobiacich v krajinách CEE a objavovanie kritických faktorov úspechu sú hlavným cieľom štúdií Barometer Study, ktoré sa začali v roku 2007 na Oddelení Global Sales Management na hnorakúskej Upper Austrian University of Applied Sciences v Steyri. Štúdie zahŕňajú dôležité aspekty pred a počas procesu internacionalizácie, vrátane typických vzorcov vyhľadávania a analýzy informácií, rozhodujúcich faktorov pre výber cieľových trhov, uskutočnenie marketingovej komunikácie, riadenie vzťahov s miestnymi partnermi a motiváciu predajného personálu v Českej republice, na Slovensku, Maďarsku, Poľsku, Rusku, Ukrajine, Bulharsku a Rumunsku.


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